

Report on the

Henry County Commission

Henry County, Alabama

October 1, 2019 through September 30, 2020

Filed: January 28, 2022



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Henry County Commission, Henry County, Alabama, for the period October 1, 2019 through September 30, 2020. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Netteah K. Durham
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Henry County Commission October 1, 2019 through September 30, 2020

The Henry County Commission (the "Commission") is governed by a six-member body elected by the citizens of Henry County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 20. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Henry County.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the basic financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 20, were invited to discuss the results of this report at an exit conference. Commission Chairman, David Money and Commissioner Gregory Reynolds attended the exit conference. Representing the Department of Examiners of Public Accounts was Netteah K. Durham, Audit Manager.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Henry County Commission and County Administrator
Abbeville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Henry County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

The management of the Henry County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry County Commission, as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions – Pension, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 18), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

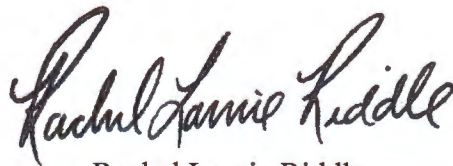
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Henry County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 19), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2022, on our consideration of the Henry County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Henry County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henry County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

January 6, 2022

Basic Financial Statements

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 6,628,389.05	\$ 667,264.40	\$ 7,295,653.45
Investments	818,479.92		818,479.92
Receivables (Note 4)	1,069,411.03	18,554.00	1,087,965.03
Ad Valorem Taxes Receivable	1,737,339.80		1,737,339.80
Total Current Assets	10,253,619.80	685,818.40	10,939,438.20
<u>Noncurrent Assets</u>			
Cash with Fiscal Agent	99,004.70		99,004.70
Capital Assets (Note 5)	3,351,836.90	594,180.57	3,946,017.47
Total Noncurrent Assets	3,450,841.60	594,180.57	4,045,022.17
Total Assets	13,704,461.40	1,279,998.97	14,984,460.37
<u>Deferred Outflows of Resources</u>			
Deferred Outflows Related to Net Pension Liability	346,482.92	19,243.55	365,726.47
Total Deferred Outflows of Resources	346,482.92	19,243.55	365,726.47
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	36,913.13	15,234.75	52,147.88
Unearned Revenue	50,664.04	104,366.94	155,030.98
Accrued Wages Payable	129,845.69	8,068.88	137,914.57
Long-Term Liabilities: (Note 7)			
Portion Due or Payable Within One Year:			
Warrants Payable	66,039.35		66,039.35
Notes from Direct Borrowing	47,721.58		47,721.58
Compensated Absences	29,410.11	616.38	30,026.49
Total Current Liabilities	360,593.90	128,286.95	488,880.85
<u>Noncurrent Liabilities</u>			
Portion Due or Payable After One Year:			
Warrants Payable	526,167.86		526,167.86
Notes from Direct Borrowing	227,368.85		227,368.85
Compensated Absences	264,691.02	5,547.45	270,238.47
Net Pension Liability	773,211.38	37,956.59	811,167.97
Total Noncurrent Liabilities	1,791,439.11	43,504.04	1,834,943.15
Total Liabilities	\$ 2,152,033.01	\$ 171,790.99	\$ 2,323,824.00

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	\$ 1,737,339.80	\$	\$ 1,737,339.80
Revenue Received in Advance - Motor Vehicle Taxes	130,704.19		130,704.19
Deferred Inflows Related to Net Pension Liability	57,676.44	1,153.56	58,830.00
Total Deferred Inflows of Resources	1,925,720.43	1,153.56	1,926,873.99
<u>Net Position</u>			
Net Investment in Capital Assets	3,076,746.47	594,180.57	3,670,927.04
Restricted for:			
Highways and Roads	1,782,089.38		1,782,089.38
Other Purposes	28,279.83		28,279.83
Public Safety	290,488.34		290,488.34
Law Enforcement	439,266.38		439,266.38
Office of Probate	269,581.12		269,581.12
Capital Improvements	1,260,130.61		1,260,130.61
Debt Service	99,004.70		99,004.70
Unrestricted	2,727,604.05	532,117.40	3,259,721.45
Total Net Position	\$ 9,973,190.88	\$ 1,126,297.97	\$ 11,099,488.85

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<u>Primary Government</u>							
<u>Governmental Activities:</u>							
General Government	\$ 3,434,394.52	\$ 615,332.03	\$ 1,176,624.28	\$ 250,791.25	\$ (1,391,646.96)	\$	\$ (1,391,646.96)
Public Safety	2,975,244.42	365,234.84	255,421.29		(2,354,588.29)		(2,354,588.29)
Highways and Roads	3,015,633.39	310,805.91	3,578,382.95		873,555.47		873,555.47
Health	3,500.00				(3,500.00)		(3,500.00)
Welfare	53,664.60		2,905.00		(50,759.60)		(50,759.60)
Culture and Recreation	21,100.00				(21,100.00)		(21,100.00)
Education	72,294.39				(72,294.39)		(72,294.39)
Interest on Long-Term Debt	28,838.74				(28,838.74)		(28,838.74)
Total Governmental Activities	9,604,670.06	1,291,372.78	5,013,333.52	250,791.25	(3,049,172.51)		(3,049,172.51)
<u>Business-Type Activities:</u>							
Sanitation	726,718.20	781,639.23				54,921.03	54,921.03
Total Business-Type Activities	726,718.20	781,639.23				54,921.03	54,921.03
Total Primary Government	\$ 10,331,388.26	\$ 2,073,012.01	\$ 5,013,333.52	\$ 250,791.25	(3,049,172.51)	54,921.03	(2,994,251.48)
<u>General Revenues:</u>							
Taxes:							
Property Taxes for General Purposes					1,748,527.52		1,748,527.52
Property Taxes for Specific Purposes					796,421.83		796,421.83
County Sales and Use Taxes					888,503.75		888,503.75
Miscellaneous Taxes					69,291.59		69,291.59
Gain on Sale of Capital Assets					93,595.47	26,150.00	119,745.47
Interest Earned					36,902.24	2,140.57	39,042.81
Miscellaneous					514,792.17	1,586.06	516,378.23
Total General Revenues					4,148,034.57	29,876.63	4,177,911.20
Changes in Net Position					1,098,862.06	84,797.66	1,183,659.72
Net Position - Beginning of Year					8,874,328.82	1,041,500.31	9,915,829.13
Net Position - End of Year					\$ 9,973,190.88	\$ 1,126,297.97	\$ 11,099,488.85

The accompanying Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Gasoline Tax Fund	Capital Improvement Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Federal Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>								
Cash	\$ 1,863,416.56	\$ 1,196,169.54	\$ 1,258,627.61	\$ 1,105,642.19	\$ 57,943.50	\$ 1,503.00	\$ 1,145,086.65	\$ 6,628,389.05
Cash With Fiscal Agent							99,004.70	99,004.70
Investments	555,841.65			205,027.09			57,611.18	818,479.92
Receivables (Note 4)	885,233.34	69,621.21		77,938.53			36,617.95	1,069,411.03
Ad Valorem Taxes Receivable	898,094.64	482,705.71			356,539.45			1,737,339.80
Total Assets	4,202,586.19	1,748,496.46	1,258,627.61	1,388,607.81	414,482.95	1,503.00	1,338,320.48	10,352,624.50
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>								
<u>Liabilities</u>								
Accounts Payable	11,493.09	25,064.10			355.94			36,913.13
Unearned Revenue					50,664.04			50,664.04
Accrued Wages Payable	83,485.77	39,436.40			6,923.52			129,845.69
Total Liabilities	94,978.86	64,500.50			57,943.50			217,422.86
<u>Deferred Inflows of Resources</u>								
Unavailable Revenue - Property Taxes	898,094.64	482,705.71			356,539.45			1,737,339.80
Revenue Received in Advance - Motor Vehicle Taxes	83,871.89	46,832.30						130,704.19
Total Deferred Inflows of Resources	981,966.53	529,538.01			356,539.45			1,868,043.99
<u>Fund Balances</u>								
Restricted for:								
Highways and Roads		181,781.46		1,388,607.81			211,700.11	1,782,089.38
Public Safety							290,488.34	290,488.34
Office of Probate							269,581.12	269,581.12
Law Enforcement							439,266.38	439,266.38
Debt Service							99,004.70	99,004.70
Capital Improvements			1,258,627.61			1,503.00		1,260,130.61
Other Purposes							28,279.83	28,279.83
Assigned for:								
Highways and Roads		345,167.42						345,167.42
Other Purposes	33,318.15							33,318.15
Unassigned	3,092,322.65	627,509.07						3,719,831.72
Total Fund Balances	3,125,640.80	1,154,457.95	1,258,627.61	1,388,607.81		1,503.00	1,338,320.48	8,267,157.65
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,202,586.19	\$ 1,748,496.46	\$ 1,258,627.61	\$ 1,388,607.81	\$ 414,482.95	\$ 1,503.00	\$ 1,338,320.48	\$ 10,352,624.50

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 8,267,157.65

Amounts reported for governmental activities in the Statement of Net Position
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported as assets in the governmental funds. 3,351,836.90

Deferred outflows and inflows of resources related to the pension plan are applicable to
future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$	346,482.92	
Deferred Inflows Related to Pensions		(57,676.44)	
			288,806.48

Certain liabilities are not due and payable in the current period and, therefore, are not
reported as liabilities in the governmental funds. These liabilities at year-end consist of:

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 66,039.35	\$ 526,167.86	
Notes from Direct Borrowing	47,721.58	227,368.85	
Compensated Absences	29,410.11	264,691.02	
Net Pension Liability		773,211.38	
Total Long-Term Liabilities	\$ 143,171.04	\$ 1,791,439.11	(1,934,610.15)

Total Net Position Governmental Activities (Exhibit 1) \$ 9,973,190.88

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Gasoline Tax Fund	Capital Improvement Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Federal Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 2,484,083.97	\$ 638,769.52	\$	\$	\$ 379,891.17	\$	\$	\$ 3,502,744.66
Licenses and Permits	56,601.01							56,601.01
Intergovernmental	1,314,835.86	980,365.73	250,791.25	912,395.16		1,280,113.61	522,718.19	5,261,219.80
Charges for Services	508,371.47	310,805.91					415,594.39	1,234,771.77
Miscellaneous	326,978.49	210,420.01	7,256.89	7,914.49	854.01		1,175.52	554,599.41
Total Revenues	4,690,870.80	2,140,361.17	258,048.14	920,309.65	380,745.18	1,280,113.61	939,488.10	10,609,936.65
Expenditures								
Current:								
General Government	1,326,264.16		15,370.00		355,775.18	1,586,311.46	57,838.91	3,341,559.71
Public Safety	2,093,228.41						775,758.35	2,868,986.76
Highways and Roads		1,825,668.10		830,633.46				2,656,301.56
Health	3,500.00							3,500.00
Welfare	53,664.60							53,664.60
Culture and Recreation	21,100.00							21,100.00
Education	72,294.39							72,294.39
Capital Outlay	97,238.49	761,198.30			24,970.00		5,443.62	888,850.41
Debt Service:								
Principal Retirement	33,800.70	200,000.00					63,968.67	297,769.37
Interest and Fiscal Charges	3,155.69	5,681.00					20,002.05	28,838.74
Total Expenditures	3,704,246.44	2,792,547.40	15,370.00	830,633.46	380,745.18	1,586,311.46	923,011.60	10,232,865.54
Excess (Deficiency) of Revenues Over Expenditures	986,624.36	(652,186.23)	242,678.14	89,676.19		(306,197.85)	16,476.50	377,071.11
Other Financing Sources (Uses)								
Transfers In	70,000.00	113,507.76					83,970.72	267,478.48
Proceeds From Issuance of Long-Term Debt		200,000.00						200,000.00
Sale of Capital Assets		580,425.00						580,425.00
Transfers Out		(20,000.00)		(83,970.72)			(163,507.76)	(267,478.48)
Total Other Financing Sources (Uses)	70,000.00	873,932.76		(83,970.72)			(79,537.04)	780,425.00
Net Change in Fund Balances	1,056,624.36	221,746.53	242,678.14	5,705.47		(306,197.85)	(63,060.54)	1,157,496.11
Fund Balances - Beginning of Year	2,069,016.44	932,711.42	1,015,949.47	1,382,902.34		307,700.85	1,401,381.02	7,109,661.54
Fund Balances - End of Year	\$ 3,125,640.80	\$ 1,154,457.95	\$ 1,258,627.61	\$ 1,388,607.81	\$	\$ 1,503.00	\$ 1,338,320.48	\$ 8,267,157.65

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,157,496.11

Amounts reported for governmental activities in the Statement of Activities
(Exhibit 2) are different because:

Governmental funds report capital outlay as an expenditure. However, in the
Statement of Activities, the cost of these assets is allocated over their estimated
useful lives as depreciation expense. This is the amount by which capital outlay
exceeds depreciation in the current period.

Capital Outlay	\$ 888,850.41	
Depreciation Expense	<u>(504,893.78)</u>	383,956.63

Debt proceeds provide current financial resources to the governmental funds, but issuing
debt increases long-term liabilities in the Statement of Net Position and does not
affect the Statement of Activities. (200,000.00)

Repayment of principal on long-term debt is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Position and
does not affect the Statement of Activities. 297,769.37

In the Statement of Activities, only the gain on the sale of capital assets is reported,
whereas in the governmental funds, the proceeds from the sale increase financial
resources. Thus the changes in net position differs from the change in fund balance
by the cost of the capital assets sold.

Sale of Capital Assets	\$ (580,425.00)	
Gain on Sale of Capital Assets	<u>93,595.47</u>	(486,829.53)

Some items reported in the Statement of Activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in the
governmental funds. These items consist of:

Compensated Absences, Current Year Increase	\$ (29,691.50)	
Pension Expense, Current Year Increase	<u>(23,839.02)</u>	
		<u>(53,530.52)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,098,862.06

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund
September 30, 2020

	Enterprise Fund Solid Waste Fund
<u>Assets</u>	
<u>Current Assets</u>	
Cash	\$ 667,264.40
Accounts Receivable (Note 4)	18,554.00
Total Current Assets	<u>685,818.40</u>
<u>Noncurrent Assets</u>	
Capital Assets (Note 5)	594,180.57
Total Noncurrent Assets	<u>594,180.57</u>
Total Assets	<u>1,279,998.97</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows Related to Pension	19,243.55
Total Deferred Outflows of Resources	<u>19,243.55</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable	15,234.75
Accrued Wages Payable	8,068.88
Unearned Revenue	104,366.94
Compensated Absences	616.38
Total Current Liabilities	<u>128,286.95</u>
<u>Noncurrent Liabilities</u>	
Compensated Absences	5,547.45
Net Pension Liability	37,956.59
Total Noncurrent Liabilities	<u>43,504.04</u>
Total Liabilities	<u>171,790.99</u>
<u>Deferred Inflows of Resources</u>	
Deferred Inflows Related to Net Pension Liability	1,153.56
Total Deferred Inflows of Resources	<u>1,153.56</u>
<u>Net Position</u>	
Net Investment in Capital Assets	594,180.57
Unrestricted	<u>532,117.40</u>
Total Net Position	<u>\$ 1,126,297.97</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2020

	Enterprise Fund Solid Waste Fund
<u>Operating Revenues</u>	
Charges for Services	\$ 781,639.23
Total Operating Revenues	<u>781,639.23</u>
<u>Operating Expenses</u>	
Sanitation	279,526.68
Employee Benefits and Payroll Taxes	255,128.16
Materials and Supplies	42,478.26
Repairs and Maintenance	35,953.01
Utilities and Postage	10,487.71
Insurance	12,500.00
Depreciation	89,708.51
Miscellaneous Expense	935.87
Total Operating Expenses	<u>726,718.20</u>
Operating Income (Loss)	<u>54,921.03</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Revenue	2,140.57
Miscellaneous Revenue	1,586.06
Gain on Sale of Capital Assets	26,150.00
Total Nonoperating Revenues (Expenses)	<u>29,876.63</u>
Income (Loss) before Transfers	<u>84,797.66</u>
Changes in Net Position	84,797.66
Total Net Position - Beginning of Year	<u>1,041,500.31</u>
Total Net Position - End of Year	<u>\$ 1,126,297.97</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2020

	Enterprise Fund Solid Waste Fund
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$ 811,961.92
Cash Payments to Suppliers	(368,409.73)
Cash Payments to Employees	(268,114.61)
Pension Activity	(1,354.44)
Net Cash Flows Provided by Operating Activities	<u>174,083.14</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Other Cash Receipts	1,586.06
Cash Received from Other Funds	
Net Cash Flows from Noncapital Financing Activities	<u>1,586.06</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Sale of Capital Assets	26,150.00
Acquisition of Capital Assets	(13,984.23)
Net Cash Flows from Capital and Related Financing Activities	<u>12,165.77</u>
<u>Cash Flows from Investing Activities</u>	
Interest and Dividends	<u>2,140.57</u>
Net Cash Flows Provided by Investing Activities	<u>2,140.57</u>
Net Increase in Cash	189,975.54
Cash - Beginning of Year	<u>477,288.86</u>
Cash - End of Year	<u><u>\$ 667,264.40</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
<hr/>	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided (Used) by Operating Activities:</u>	
Operating Income	\$ 54,921.03
<u>Adjustments to Reconcile Operating Income/Loss to Net</u>	
<u>Cash Provided (Used) by Operating Activities:</u>	
Depreciation Expense	89,708.51
Change in:	
Decrease in Accounts Receivable	21,500.42
Increase in Accounts Payable	13,471.80
Increase In Unearned Revenue	8,822.27
Increase in Compensated Absences	(15,536.93)
Decrease in Pension Activity	(1,354.44)
Decrease in Wages Payable	2,550.48
Net Changes	<u>119,162.11</u>
Net Cash Provided by Operating Activities	<u><u>\$ 174,083.14</u></u>

Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<hr/>		
<u>Assets</u>		
Cash	\$ 340,823.77	\$ 95,705.99
Total Assets	<u>340,823.77</u>	<u>95,705.99</u>
<u>Liabilities</u>		
Other Payables	35,813.21	95,705.99
Total Liabilities	<u>35,813.21</u>	<u>\$ 95,705.99</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>\$ 305,010.56</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2020

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Contributions from:	
Intergovernmental	\$ 19,112.44
Charges for Services	95,537.32
Miscellaneous	883,098.17
Total Additions	<u>997,747.93</u>
<u>Deductions</u>	
Administrative	<u>1,087,136.78</u>
Total Deductions	<u>1,087,136.78</u>
Changes in Net Position	(89,388.85)
Net Position - Beginning of Year	<u>394,399.41</u>
Net Position - End of Year	<u><u>\$ 305,010.56</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Henry County Commission (the “Commission”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way. The fund is also used to report the revenues and expenditures for building and maintaining public buildings, roads and bridges.
- ◆ **Capital Improvement Fund** – This fund is used to account for distributions from the Alabama Trust Fund. The funds are to be used for capital improvements in the County.
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the expenditure of the Commission's share of the following taxes: the 4-cent per gallon gasoline tax, the 5-cent per gallon gasoline tax; the 2-cent per gallon inspection fee, and the designated portion of truck licenses for the resurfacing, restoration, and rehabilitation of the existing bridges and paved county roads. Also, the fund is used for the expenditure of motor vehicle license taxes and fees and drivers' license revenues for the construction, improvement and maintenance of public highways and streets.

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county’s reappraisal program.
- ◆ **Federal Grant Fund** – This fund is used to account for revenues and expenditures for Community Development Block Grant for a railroad infrastructure improvement.

The Commission reports the following major enterprise fund:

- ◆ **Solid Waste Fund** – This fund is used to account for the receipts and expenditures of dumping fees received for solid waste collections and landfill collections. The landfill is supported through solid waste collections.

The Commission reports the following governmental fund types in the Other Governmental Funds’ column:

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

Notes to the Financial Statements

For the Year Ended September 30, 2020

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2020

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash includes cash on hand and demand deposits. Investments consist of certificates of deposit and are reported at cost.

2. Receivables

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Millage rates for property taxes are levied by the Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

Receivables in the enterprise fund consist of amounts due from customers at September 30, 2020.

3. Restricted Assets

Certain resources set aside for the repayment of gasoline tax anticipation warrants that are included in cash with fiscal agent on the balance sheet are considered restricted assets because they are maintained separately, and their use is limited by applicable warrant covenants.

Notes to the Financial Statements

For the Year Ended September 30, 2020

4. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000.00	40 years
Equipment and Furniture	\$ 5,000.00	5 – 15 years
Motor Vehicles	\$ 5,000.00	5 – 10 years
Heavy/Construction Equipment	\$ 5,000.00	10 years
Roads	\$250,000.00	20 years
Bridges	\$ 50,000.00	40 – 50 years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

5. Deferred Outflows of Resources

Deferred outflows of resources are reported in the government-wide and proprietary funds Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Notes to the Financial Statements

For the Year Ended September 30, 2020

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

In the fund financial statements, governmental fund types report the face amount of the debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

7. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave.

Annual Leave

Regular full-time employees earn annual leave. Probationary status employees are not authorized to take annual leave until after completion of a six-month probationary period. Upon completion of six months of service, all employees shall be allowed to earn and accrue annual leave time with pay.

Annual leave time accruals shall be based upon a twenty-six (26) pay periods per year basis. An employee holding a regular position shall earn annual leave time in accordance with his or her longevity of service as follows:

Length of Service	Amount Earned
0 to 1 year	1.54 hours per pay period
Over 1 year to 2 years	1.85 hours per pay period
Over 2 years to 3 years	2.15 hours per pay period
Over 3 years to 4 years	2.46 hours per pay period
Over 4 years to 5 years	2.77 hours per pay period
Over 5 years to 6 years	3.07 hours per pay period
Over 6 years to 7 years	3.39 hours per pay period
Over 7 years to 15 years	3.69 hours per pay period
Over 15 years to 25 years	5.23 hours per pay period
Over 25 years	6.16 hours per pay period

Notes to the Financial Statements

For the Year Ended September 30, 2020

Annual leave time earned but not used during the calendar year may be accumulated up to a maximum of 240 hours. Annual leave time earned in excess of the maximum accumulation stipulated must be used by the last pay period in the calendar year. For calculation purposes, the annual leave time year will run from the first full pay period in January through the end of the pay period which includes December 31. After this time, any unused balance in excess of 240 hours shall be forfeited.

Sick Leave

Sick leave time accruals shall be based upon a twenty-six (26) pay periods per year basis and earned at the rate of 3.69 hours per pay period. Sick leave earned during the calendar year but not used will be continuously accumulated, however, a maximum of 1200 hours carried forward from one year to the next. Employees vested as of February 9, 2016, shall, upon retirement, for the sole purpose of drawing social security or Alabama State Retirement, be paid for one-half, not to exceed seventy-five (75) days of accumulated sick leave which the employee has not used.

The Commission uses the vesting method to accrue its sick leave liability. Under this method an accrual for the sick leave liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Employees will be paid overtime pay or given compensatory leave for those hours worked in excess of the established regular hours for the work week/work period. The use of compensatory leave shall be determined by the Department Head.

Compensatory time off is computed at one and one-half hours for each hour of work that meets overtime requirements of the Fair Labor Standards Act. For pay purposes, employees may accumulate a maximum of forty compensatory hours. Any hours earned that would cause accumulated hours to exceed forty will be paid thirty days after it is earned. An employee may carry forward into the next year a maximum of forty compensatory hours. When compensatory time is earned during a Declared State of Emergency, which would cause accumulated hours to exceed forty hours, the compensatory time will be paid 180 days after it is earned.

The Commission uses the vesting method to accrue its sick leave liability. Under this method an accrual for the sick leave liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The ***Code of Alabama 1975***, Section 36-21-4.1, provides that any non-elected law enforcement officer in the service of a county who has worked overtime be given the choice of overtime pay or compensatory leave. Under this statute, officers must make an election at the end of each month with regard to overtime earned during that month. Any overtime to be received as salary is to be paid the following month and any overtime to be taken as compensatory leave must be taken in the calendar year in which it is earned. Under this provision, deputies may accrue compensatory leave, but it must be used in the calendar year in which it is earned and there is no provision to pay out any unused compensatory leave.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide, proprietary fund, and governmental funds financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

9. Net Position/Fund Balances

Net position is reported on the government-wide and proprietary fund financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should be included in this component. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation. Debt proceeds at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Fund balance is reported in the fund financial statements under the following five categories.

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a specific purpose imposed by formal action of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Notes to the Financial Statements

For the Year Ended September 30, 2020

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Annual budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

Budgetary comparison information is presented in the Required Supplementary Information for all major funds except the Federal Grant Fund. The Commission adopted budgets in 2019 for fiscal year 2020, prior to the receiving the monies for the Federal Grant Fund. During the fiscal year, the Commission began receiving monies for this fund.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 3 – Deposits and Investments

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Note 4 – Receivables

On September 30, 2020, receivables for the Commission's individual major and other governmental funds in the aggregate are as follows:

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Other Governmental Funds	Total
<u>Governmental Activities</u>					
<u>Receivables:</u>					
Accounts Receivable	\$ 76,775.26	\$	\$	\$	\$ 76,775.26
Due From Other Governments	808,458.08	69,621.21	77,938.53	36,617.95	992,635.77
Total Receivables	<u>\$885,233.34</u>	<u>\$69,621.21</u>	<u>\$77,938.53</u>	<u>\$36,617.95</u>	<u>\$1,069,411.03</u>

	Solid Waste Fund
<u>Business-Type Activities</u>	
<u>Receivables:</u>	
Accounts Receivable	\$18,554.00
Total Receivables	<u>\$18,554.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2020, the Commission reported unexpended reappraisal funds in the amount of \$50,664.04 in the governmental activities' column on the Statement of Net Position and on the governmental fund-level balance sheet.

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions	Retirements	Balance 09/30/2020
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 32,700.00	\$	\$	\$ 32,700.00
Total Capital Assets, Not Being Depreciated	32,700.00			32,700.00
Capital Assets Being Depreciated:				
Infrastructure	264,643.00			264,643.00
Buildings and Improvements	3,249,729.00			3,249,729.00
Vehicles, Equipment and Furniture	5,359,474.21	888,850.41	(736,658.48)	5,511,666.14
Total Capital Assets Being Depreciated	8,873,846.21	888,850.41	(736,658.48)	9,026,038.14
Less Accumulated Depreciation for:				
Infrastructure	(142,799.21)	(4,512.74)		(147,311.95)
Buildings and Improvements	(2,049,386.38)	(56,178.34)		(2,105,564.72)
Vehicles, Equipment and Furniture	(3,259,650.82)	(444,202.70)	249,828.95	(3,454,024.57)
Total Accumulated Depreciation	(5,451,836.41)	(504,893.78)	249,828.95	(5,706,901.24)
Total Capital Assets Being Depreciated, Net	3,422,009.80	383,956.63	(486,829.53)	3,319,136.90
Governmental Activities Capital Assets, Net	\$ 3,454,709.80	\$ 383,956.63	\$(486,829.53)	\$ 3,351,836.90

Capital asset activity for business-type activities was as follows:

	Balance 10/01/2019	Additions/ Reclassifications	Retirements	Balance 09/30/2020
<u>Business-Type Activities:</u>				
Capital Assets Being Depreciated:				
Vehicles, Equipment and Furniture	\$ 940,946.85	\$ 13,984.23	\$(126,036.27)	\$ 828,894.81
Total Capital Assets Being Depreciated	940,946.85	13,984.23	(126,036.27)	828,894.81
Less Accumulated Depreciation for:				
Vehicles, Equipment and Furniture	(271,042.00)	(89,708.51)	126,036.27	(234,714.24)
Total Accumulated Depreciation	(271,042.00)	(89,708.51)	126,036.27	(234,714.24)
Total Capital Assets Being Depreciated, Net	669,904.85	(75,724.28)		594,180.57
Governmental Activities Capital Assets, Net	\$ 669,904.85	\$(75,724.28)	\$	\$ 594,180.57

Notes to the Financial Statements
For the Year Ended September 30, 2020

Depreciation expense was charged to functions/programs of the primary government as follows:

	Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 39,304.26
Public Safety	106,257.69
Highways and Roads	359,331.83
Total Depreciation Expense – Governmental Activities	<u>\$504,893.78</u>

	Depreciation Expense
<u>Business-Type Activities:</u>	
Sanitation	\$89,708.51
Total Depreciation Expense – Business-Type Activities	<u>\$89,708.51</u>

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945 under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a county, city, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP participants who are still in active service	98
Total	<u>93,986</u>

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020 the Commission's active employee contribution rate was 5.82 percent of pensionable payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 4.29 percent of pensionable payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2020 was 5.23% of pensionable pay for Tier 1 employees, and 2.76% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$139,134.46 for the year ended September 30, 2020.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$7,575,516	\$7,627,230
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for the Period October 1, 2018 - September 30, 2019	224,121	224,121
(d) Transfers Among Employers		(80,082)
(e) Actual Benefit Payments and Refunds for the Period October 1, 2018 - September 30, 2019	(452,430)	(452,430)
(f) Total Pension Liability as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	\$7,913,103	\$7,888,717
(g) Difference between Expected and Actual		\$ (24,386)
(h) Less Liability Transferred for Immediate Recognition		(80,082)
(i) Experience (Gain)/Loss=(g) - (h)		\$ 55,696

Notes to the Financial Statements

For the Year Ended September 30, 2020

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25%-5.00%
Investment Rate of Return (*)	7.70%

(*) Net of pension plan investment expense,
including inflation

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Net assumed rate of inflation of 2.50%.		

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2020

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2018	\$7,575,516	\$7,141,239	\$434,277
Changes for the Year:			
Service Cost	224,121		224,121
Interest	565,896		565,896
Changes in Assumptions			
Differences Between Expected and Actual Experience	55,696		55,696
Contributions – Employer		126,426	(126,426)
Contributions – Employee		162,154	(162,154)
Net Investment Income		180,242	(180,242)
Benefit Payments, Including Refunds of Employee Contributions	(452,430)	(452,430)	
Transfers Among Employers	(80,082)	(80,082)	
Net Changes	313,201	(63,690)	376,891
Balances at September 30, 2019	\$7,888,717	\$7,077,549	\$811,168

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's net pension liability calculated using the discount rate of 7.70%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Henry County Commission's Net Pension Liability/(Asset)	\$1,746,171	\$811,168	\$27,056

Notes to the Financial Statements

For the Year Ended September 30, 2020

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated August 27, 2020 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the Commission recognized pension expense of \$151,133.00. At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,069.00	\$58,830.00
Changes of assumptions	85,254.00	
Net difference between projected and actual earnings on pension plan investments	85,269.00	
Employer contributions subsequent to the measurement date	139,134.00	
Total	<u>\$365,726.00</u>	<u>\$58,830.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	\$ (7,699)
2022	\$18,755
2023	\$59,762
2024	\$89,263
2025	\$ 7,681
Thereafter	\$ 0

Note 7 – Long-Term Debt

On November 1, 2013, the Commission issued a Tax Anticipation Warrant, Series 2013, in the amount of \$1,000,000.00 with an interest rate of 3.19% to pay for resurfacing and repair of existing County roadways. The Series 2013 Warrant was sold to a single investor/bank and is pledged to be repaid with revenues from the four-cent per gallon State gasoline tax.

On February 1, 2019, the Commission issued a note from direct borrowing in the amount of \$108,891.13 with an interest rate of 2.89% to purchase vehicles for the Sheriff's department. The note is collateralized by the Sheriff's department vehicles purchased with the proceeds. The note contains a provision that in the event of default, the interest rate on the note shall be increased to 18% per annum based on 360 days, and the entire unpaid principal balance and all accrued unpaid interest shall become immediately due without notice.

On April 2, 2020, the Commission issued a note from direct borrowing in the amount of \$200,000.00 with an interest rate of 2.25% to purchase two dump trucks for the road department. The note is collateralized by the two dump trucks purchased with the proceeds. The note contains a provision that in the event of default, the interest rate on the note shall be increased to 18% per annum based on 360 days, and the entire unpaid principal balance and all accrued unpaid interest shall become immediately due without notice.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The following is a summary of long-term obligations for the Commission for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Warrants Payable:					
Tax Anticipation Warrant, Series 2013	\$ 656,175.88	\$	\$ (63,968.67)	\$ 592,207.21	\$ 66,039.35
Total Warrants Payable	656,175.88		(63,968.67)	592,207.21	66,039.35
Other Liabilities:					
Notes from Direct Borrowing	308,891.13	200,000.00	(233,800.70)	275,090.43	47,721.58
Net Pension Liability	418,368.53	354,842.85		773,211.38	
Compensated Absences	264,409.60	29,691.53		294,101.13	29,410.11
Total Other Liabilities	991,669.26	584,534.38	(233,800.70)	1,342,402.94	77,131.69
Total Governmental Activities Long-Term Liabilities	1,647,845.14	584,534.38	(297,769.37)	1,934,610.15	143,171.04
<u>Business-Type Activities:</u>					
Net Pension Liability	15,908.47	22,048.12		37,956.59	
Compensated Absences	21,700.76		(15,536.93)	6,163.83	616.38
Total Business-Type Activities Long-Term Liabilities	\$ 37,609.23	\$ 22,048.12	\$ (15,536.93)	\$ 44,120.42	\$ 616.38

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 62% has been paid by the General Fund, 31% by the Gasoline Tax Fund, and 7% by the Reappraisal Fund.

Payments on the notes from direct borrowing are made from the Gasoline Tax Fund and General Fund.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Governmental Activities				Total Principal and Interest Requirements
	Warrants Payable		Notes Payable		
	Principal	Interest	Principal	Interest	
September 30, 2021	\$ 66,039.35	\$17,931.37	\$ 47,721.58	\$ 6,146.11	\$137,838.41
2022	68,177.08	15,793.64	67,119.33	6,804.40	157,894.45
2023	70,384.01	13,586.71	69,135.96	4,787.77	157,894.45
2024	72,662.36	11,308.36	71,213.15	2,710.54	157,894.41
2025	75,014.44	8,956.23	19,900.41	572.46	104,443.54
2026-2029	239,929.97	11,982.19			251,912.16
Total Debt Service to Maturity	\$592,207.21	\$79,558.50	\$275,090.43	\$21,021.28	\$967,877.42

Notes to the Financial Statements

For the Year Ended September 30, 2020

Pledged Revenues

The Commission issued a Tax Anticipation Warrant, Series 2013 for the purpose of repairing and repaving existing roads. The Commission pledged to repay the warrants from the County's portion of the proceeds of the four-cent gasoline tax levied by the State of Alabama. Future revenues of \$671,765.71 are pledged to repay the principal and interest on the warrants as of September 30, 2020. Proceeds of the four-cent gasoline tax in the amount of \$433,936.57 were received by the Commission during the fiscal year ended September 30, 2020, of which \$83,970.72 was used to pay principal and interest on the warrant. The Series 2013 Tax Anticipation warrant will mature in fiscal year 2028.

Note 8 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the Fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Note 9 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers Out			Totals
	Gasoline Tax Fund	RRR Gasoline Tax Fund	Other Governmental Funds	
Transfers In:				
General Fund	\$20,000.00	\$	\$ 50,000.00	\$ 70,000.00
Gasoline Fund			113,507.76	113,507.76
Other Governmental Funds		83,970.72		83,970.72
Total Governmental Funds	\$20,000.00	\$83,970.72	\$163,507.76	\$267,478.48

Note 10 – Related Organizations

A majority of the Board Members of the Henry County E-911 Board, the Henry County Health Care Authority, the Henry County Water Authority and the Henry County Library Authority are appointed by the Henry County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship for these agencies, and these agencies are not considered part of the Commission's financial reporting entity. These agencies are considered to be related organizations of the County Commission.

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2020

	2019	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>						
Service cost	\$ 224,121	\$ 214,907	\$ 210,753	\$ 205,177	\$ 208,446	\$ 208,997
Interest	565,896	540,204	504,883	467,504	445,474	426,100
Difference between expected and actual experience	55,696	15,228	(82,409)	(37,438)	(24,461)	
Changes of assumptions		39,947		171,617		
Transfers among employers	(80,082)	14,757	63,540	234,883		
Benefit payments, including refunds of employee contributions	(452,430)	(439,803)	(382,472)	(359,377)	(348,793)	(437,056)
Net change in total pension liability	313,201	385,240	314,295	682,366	280,666	198,041
Total pension liability - beginning	7,575,516	7,190,276	6,705,849	6,023,483	5,742,817	5,544,776
Total pension liability - ending (a)	<u>\$ 7,888,717</u>	<u>\$ 7,575,516</u>	<u>\$ 7,020,144</u>	<u>\$ 6,705,849</u>	<u>\$ 6,023,483</u>	<u>\$ 5,742,817</u>
<u>Plan fiduciary net position</u>						
Contributions - employer	\$ 126,426	\$ 132,692	\$ 129,637	\$ 158,130	\$ 145,201	\$ 135,316
Contributions - employee	162,154	151,292	145,598	143,587	142,242	142,473
Net investment income	180,242	610,893	747,288	533,272	60,944	557,648
Benefit payments, including refunds of employee contributions	(452,430)	(439,803)	(382,472)	(359,377)	(348,793)	(437,057)
Transfers among employers	(80,082)	14,757	63,540	234,883	(39,145)	123,232
Net change in plan fiduciary net position	(63,690)	469,831	703,591	710,495	(39,551)	521,612
Plan fiduciary net position - beginning	7,141,239	6,671,408	5,858,184	5,147,689	5,187,240	4,665,628
Plan fiduciary net position - ending (b)	<u>\$ 7,077,549</u>	<u>\$ 7,141,239</u>	<u>\$ 6,561,775</u>	<u>\$ 5,858,184</u>	<u>\$ 5,147,689</u>	<u>\$ 5,187,240</u>
Commission's net pension liability (asset) - ending (a) - (b)	\$ 811,168	\$ 434,277	\$ 458,369	\$ 847,665	\$ 875,794	\$ 555,577
Plan fiduciary net position as a percentage of the total pension liability	89.72%	94.27%	93.47%	87.36%	85.46%	90.33%
Covered payroll (*)	\$ 2,970,973	\$ 2,763,447	\$ 2,701,420	\$ 2,544,636	\$ 2,544,290	\$ 2,536,818
Net pension liability (asset) as a percentage of covered payroll	27.30%	15.72%	16.97%	33.31%	34.42%	21.90%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2020

	2020	2019	2019	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 139,134	\$ 126,426	\$ 132,692	\$ 129,637	\$ 158,130	\$ 145,201	\$ 135,316
Contributions in relation to the actuarially determined contribution (*)	\$ 139,134	\$ 126,426	\$ 132,692	\$ 129,637	\$ 158,130	\$ 145,201	\$ 135,316
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 3,245,971	\$ 2,970,973	\$ 2,763,447	\$ 2,701,420	\$ 2,544,636	\$ 2,544,290	\$ 2,536,818
Contributions as a percentage of covered payroll	4.29%	4.26%	4.80%	4.80%	6.21%	5.71%	5.33%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or service payments. The Schedule of Employer's Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	21.9 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
Taxes	\$ 2,241,080.00	\$ 2,396,629.00	\$ 2,484,083.97	\$	\$ 2,484,083.97
Licenses and Permits	60,300.00	60,300.00	56,601.01		56,601.01
Intergovernmental	430,232.00	512,061.00	1,314,835.86		1,314,835.86
Charges for Services	466,143.00	466,143.00	508,371.47		508,371.47
Miscellaneous	277,800.00	372,633.00	324,038.40	(1) 2,940.09	326,978.49
Total Revenues	3,475,555.00	3,807,766.00	4,687,930.71	2,940.09	4,690,870.80
<u>Expenditures</u>					
Current:					
General Government	1,438,411.00	1,430,000.00	1,326,264.16		1,326,264.16
Public Safety	1,788,693.00	2,135,687.00	2,093,228.41		2,093,228.41
Health	4,000.00	4,000.00	3,500.00		3,500.00
Welfare	72,032.00	57,032.00	53,664.60		53,664.60
Culture and Recreation	20,600.00	20,600.00	21,100.00		21,100.00
Education	43,000.00	43,000.00	72,294.39		72,294.39
Capital Outlay			97,238.49		97,238.49
Debt Service:	109,000.00	109,000.00	33,800.70		33,800.70
Principal Retirement	44,205.00	33,801.00	3,155.69		3,155.69
Interest and Fiscal Charges	1,278.00	3,156.00			
Total Expenditures	3,521,219.00	3,836,276.00	3,704,246.44		3,704,246.44
Excess (Deficiency) of Revenues Over Expenditures	(45,664.00)	(28,510.00)	983,684.27	2,940.09	986,624.36
<u>Other Financing Sources (Uses)</u>					
Transfers In	70,000.00	70,000.00	70,000.00		70,000.00
Proceeds From Issuance of Long-Term Debt					
Total Other Financing Sources (Uses)	70,000.00	70,000.00	70,000.00		70,000.00
Net Change in Fund Balances	24,336.00	41,490.00	1,053,684.27	(2) 2,940.09	1,056,624.36
Fund Balances - Beginning of Year			2,038,638.38	30,378.06	2,069,016.44
Fund Balances - End of Year	\$ 24,336.00	\$ 41,490.00	\$ 3,092,322.65	\$ 33,318.15	\$ 3,125,640.80

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020***

Explanation of differences:

Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.

(1) Revenues		
Livestock and Marketing Fund	\$ 35.09	
Mandatory Liability Insurance Fund	<u>2,905.00</u>	<u>\$ 2,940.09</u>
Net Change in Fund Balance - Budget to GAAP		<u><u>\$ 2,940.09</u></u>
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.		

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Taxes	\$	\$	\$	(1)	\$ 638,769.52	\$ 638,769.52
Intergovernmental	963,300.00	963,300.00	876,591.17	(1)	103,774.56	980,365.73
Charges for Services			310,805.91			310,805.91
Miscellaneous	182,000.00	182,000.00	209,601.66	(1)	818.35	210,420.01
Total Revenues	1,145,300.00	1,145,300.00	1,396,998.74		743,362.43	2,140,361.17
<u>Expenditures</u>						
Current:						
Highways and Roads	2,631,700.00	2,420,700.00	1,825,606.29	(2)	61.81	1,825,668.10
Capital Outlay	730,000.00	730,000.00	761,198.30			761,198.30
Debt Service:						
Principal Retirement	200,000.00	200,000.00	200,000.00			200,000.00
Interest and Fiscal Charges	6,200.00	6,200.00	5,681.00			5,681.00
Total Expenditures	3,567,900.00	3,356,900.00	2,792,485.59		61.81	2,792,547.40
Excess (Deficiency) of Revenues Over Expenditures	(2,422,600.00)	(2,211,600.00)	(1,395,486.85)		743,300.62	(652,186.23)
<u>Other Financing Sources (Uses)</u>						
Transfers In	1,646,600.00	1,435,600.00	598,507.76	(3)	(485,000.00)	113,507.76
Proceeds From Issuance of Debt	200,000.00	200,000.00	200,000.00			200,000.00
Sale of Capital Assets	576,000.00	576,000.00	580,425.00			580,425.00
Transfers Out					(20,000.00)	(20,000.00)
Total Other Financing Sources (Uses)	2,422,600.00	2,211,600.00	1,378,932.76		(505,000.00)	873,932.76
Net Change in Fund Balances			(16,554.09)		238,300.62	221,746.53
Fund Balances - Beginning of Year			361,721.51	(4)	570,989.91	932,711.42
Fund Balances - End of Year	\$	\$	\$ 345,167.42		\$ 809,290.53	\$ 1,154,457.95

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020

Explanation of differences:

Some amounts are combined with the Gasoline Tax Fund for reporting purposes, but are budgeted separately.

(1) Revenues		
Public Building, Roads and Bridges Fund	\$ 645,799.89	
Public Highway and Traffic Fund	<u>97,562.54</u>	\$ 743,362.43
(2) Expenditures		
Public Highway and Traffic Fund	<u>\$ (61.81)</u>	(61.81)
(3) Other Sources and Uses		
Public Building, Roads and Bridges Fund	\$ (420,000.00)	
Public Highway and Traffic Fund	<u>(85,000.00)</u>	<u>(505,000.00)</u>
Net Change in Fund Balance - Budget to Actual		<u><u>\$ 238,300.62</u></u>
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.		

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Improvement Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
Intergovernmental	\$ 227,514.00	\$ 250,790.00	\$ 250,791.25	\$	\$ 250,791.25
Miscellaneous	7,500.00	7,500.00	7,256.89		7,256.89
Total Revenues	235,014.00	258,290.00	258,048.14		258,048.14
<u>Expenditures</u>					
Current:					
General Government	10,000.00	25,000.00	15,370.00		15,370.00
Capital Outlay	60,000.00	60,000.00			
Total Expenditures	70,000.00	85,000.00	15,370.00		15,370.00
Excess (Deficiency) of Revenues Over Expenditures	165,014.00	173,290.00	242,678.14		242,678.14
<u>Other Financing Sources (Uses)</u>					
Transfers Out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	165,014.00	173,290.00	242,678.14		242,678.14
Fund Balances - Beginning of Year	40,486.00	40,486.00	1,015,949.47		1,015,949.47
Fund Balances - End of Year	\$ 205,500.00	\$ 213,776.00	\$ 1,258,627.61	\$	\$ 1,258,627.61

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
Intergovernmental	\$ 910,000.00	\$ 910,000.00	\$ 912,395.16	\$	\$ 912,395.16
Miscellaneous Revenue	7,000.00	7,000.00	7,914.49		7,914.49
Total Revenues	917,000.00	917,000.00	920,309.65		920,309.65
<u>Expenditures</u>					
Current:					
Highways and Roads			830,633.46		830,633.46
Total Expenditures			830,633.46		830,633.46
Excess (Deficiency) of Revenues Over Expenditures	917,000.00	917,000.00	89,676.19		89,676.19
<u>Other Financing Sources (Uses)</u>					
Transfers Out	(1,221,600.00)	(1,010,600.00)	(83,970.72)		(83,970.72)
Total Other Financing Sources (Uses)	(1,221,600.00)	(1,010,600.00)	(83,970.72)		(83,970.72)
Net Change in Fund Balances	(304,600.00)	(93,600.00)	5,705.47		5,705.47
Fund Balances - Beginning of Year	304,600.00	93,600.00	1,382,902.34		1,382,902.34
Fund Balances - End of Year	\$	\$	\$ 1,388,607.81	\$	\$ 1,388,607.81

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
Taxes	\$ 435,900.00	\$ 435,900.00	\$ 379,891.17	\$	\$ 379,891.17
Miscellaneous	200.00	200.00	854.01		854.01
Total Revenues	436,100.00	436,100.00	380,745.18		380,745.18
<u>Expenditures</u>					
Current:					
General Government	406,100.00	406,100.00	355,775.18		355,775.18
Capital Outlay	30,000.00	30,000.00	24,970.00		24,970.00
Total Expenditures	436,100.00	436,100.00	380,745.18		380,745.18
Excess (Deficiency) of Revenues Over Expenditures					
Net Change in Fund Balances					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$	\$	\$	\$	\$

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY-ED-PF-18-015	\$ 827,772.83
<u>U. S. Department of Treasury</u>			
<u>Passed Through Alabama Department of Treasury</u>			
COVID 19 - Coronavirus Relief Fund	21.019	N/A	669,686.68
<u>U. S. Department of Homeland Security</u>			
<u>Passed Through Alabama Emergency Management Agency</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4503-10 -PA-AL	134,585.28
Emergency Management Performance Grants	97.042	N/A	26,061.00
<u>Passed Through Alabama Law Enforcement Agency</u>			
Homeland Security Grant Program	97.067	EWV-2018-SS-00041	49,749.00
Total U. S. Department Homeland Security			210,395.28
Total Expenditures of Federal Awards			<u>\$ 1,707,854.79</u>

N/A = Not Applicable or Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Henry County Commission under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Henry County Commission, it is not intended to and does not present the financial position or changes in net position of the Henry County Commission.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Henry County Commission has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Note 3 – CDBG Program

The Commission received federal awards under the Community Development Block Grants/State’s Program (CFDA Number 14.228). However, pursuant to instructions from the pass-through entity, the compliance requirements relative to the Community Development Block Grants/Entitlement Grants (CFDA Number 14.218) were used for testing.

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Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Commission Members		Term Expires
Hon. David Money	Chairman	2025
Hon. Benton Beasley	Member	2024
Hon. John Ralph Saunders	Member	2022
Hon. Henry Grimsley	Member	2022
Hon. Gregory Reynolds	Member	2024
Hon. Wally Howerton	Member	Deceased
<u>Administrative Personnel</u>		
Sherry Lipscomb	Administrator	Indefinite

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the Henry County Commission and County Administrator
Abbeville, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Henry County Commission's basic financial statements, and have issued our report thereon dated January 6, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Henry County Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Henry County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Henry County Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

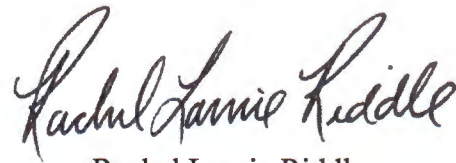
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Henry County Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

January 6, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the Henry County Commission and County Administrator
Abbeville, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Henry County Commission's compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on the Henry County Commission's major federal programs for the year ended September 30, 2020. The Henry County Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with the Henry County Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. **Code of Federal Regulations** Part 200, **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Henry County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Henry County Commission's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Opinion on Each Major Federal Program

In our opinion, the Henry County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

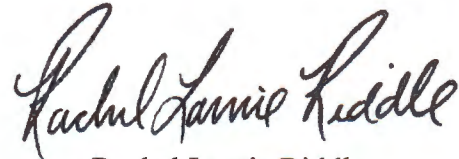
Management of the Henry County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Henry County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Henry County Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 6, 2022

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2020

Section I – Summary of Examiner's Results

Financial Statements

Type of report auditor issued on whether the audited financial statements were prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?

_____ Yes X No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.